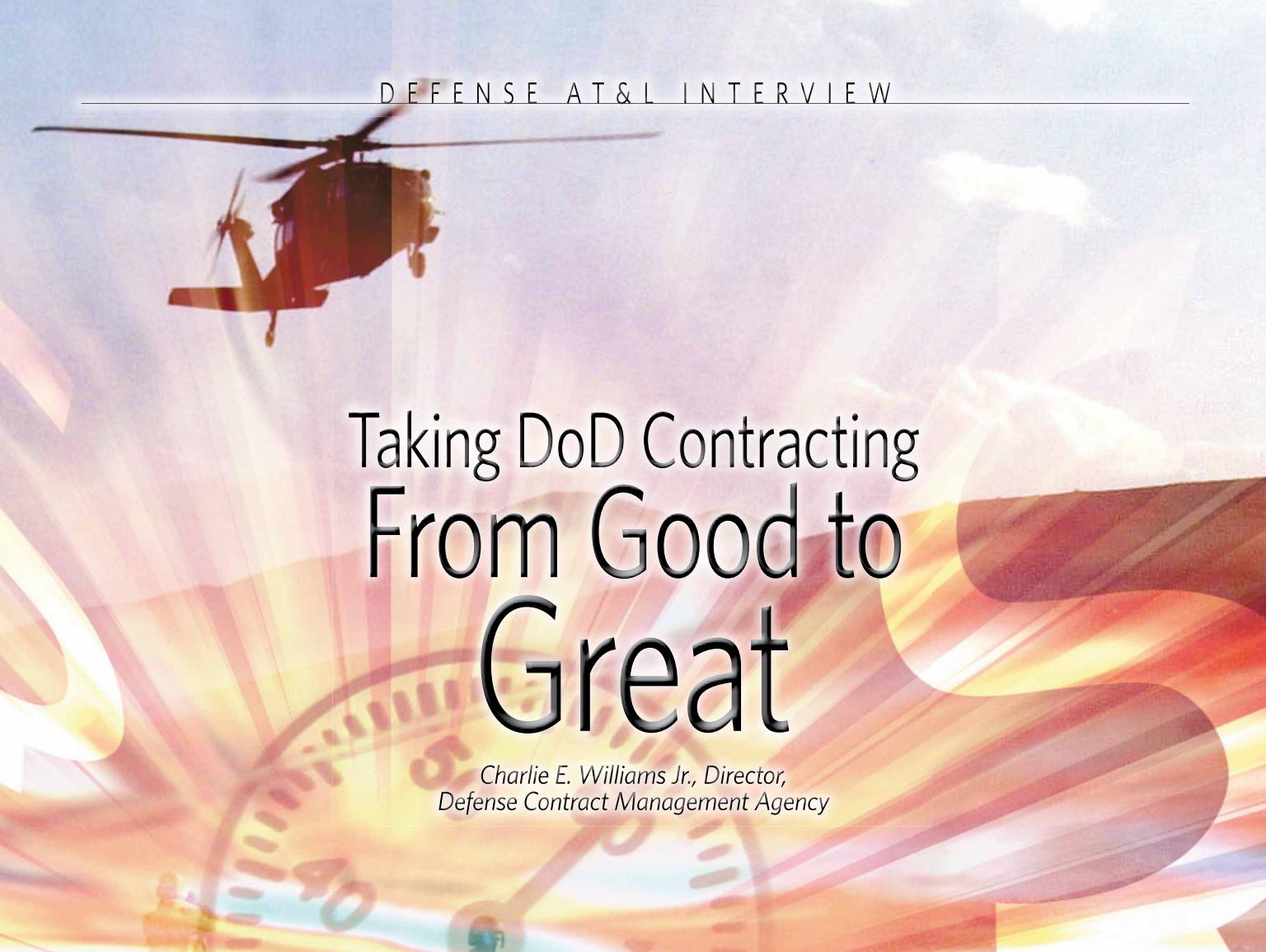




You need to look only as far as the evening news to see that giants of industry are struggling to stay profitable, maintain or improve market share, and remain viable for the future. These giants, as well as the little guys, have realized they are not in it alone.



Taking DoD Contracting From Good to Great

*Charlie E. Williams Jr., Director,
Defense Contract Management Agency*

Charlie E. Williams Jr., who became the director of the Defense Contract Management Agency on May 4, 2008, oversees an organization composed of approximately 9,900 professional civilian and military employees located at more than 700 locations around the world. DCMA is responsible for the administration of about 324,000 contracts with unliquidated obligations of more than \$180 billion awarded to more than 17,000 contractors. DCMA accepts approximately 750,000 shipments of supplies and some 1,200 aircraft each year in addition to managing over \$100 billion of government property and administering about \$32 billion of contract financial payments each year.

In February, Williams took the time to discuss his vision for making DCMA a great organization, how to cultivate the right talent and personnel to ensure organizational success, and other topics. Air Force Maj. Michelle Brunswick, DAU professor of acquisition management; James P. McNulty, DAU professor of systems acquisition management; and Denise M. Wheaton, DAU professor of acquisition management provided consulting services on the development of this interview.



DCMA provides direct support to operations in Iraq. From left to right are Col. Frank Steinbugl, director, Combat Support Center; Charlie Williams, DCMA director; Capt. David Graff, director, DCMA International Division; Lt. Kelley Thompson, operations officer, DCMA Iraq/Afghanistan; and Lt. Col. Lance Green, DCMA executive officer.

Q

When you took the reigns at DCMA, you spoke about taking the agency from good to great. From your perspective, what are some hallmarks of a great organization?

A

Jim Collins, the author of *Built to Last*, has recently written a book entitled *Good to Great: Why Some Companies Make the Leap ... and Others Don't*. In his first book [*Built to Last*], Collins wrote a management study of how great companies triumphed over time and how they engineered long-term sustained performance into the DNA of an enterprise from the very beginning. In his follow-up book, [*Good to Great*] Collins answers the question, "What about the company that is not born with great DNA?" Is it possible for good companies, mediocre companies, even bad companies to achieve enduring greatness?

Collins and his research team identified a set of companies that became great and sustained their greatness over at least 15 years. He then set about trying to determine what it was about 28 such companies that made the leap to greatness and were able to sustain it for a long period.

To put it succinctly, Collins determined that there were five findings common to all of the great companies:

- **Level 5 Leaders**—Leaders who channel their ego needs away from themselves and into the larger goal of building a great company. It is not that Level 5 leaders have no ego or self-interest. Indeed, they are incredibly ambitious—but their ambition is first for the institution, not themselves.
- **The Hedgehog Concept**—Transcending the "curse of competence."
- **A Culture of Discipline**—Combining a culture of discipline with an ethic of entrepreneurship can produce great results.
- **Technology Accelerators**—Good to great companies think differently about the role of technology.
- **The Flywheel and the Doom Loop**—Those who launch radical change programs and wrenching restructurings usually fail to make the leap to greatness.

Leaders who took their companies to greatness first got the right people on the bus, the wrong people off the bus, and the right people in the right seats—and then they figured out where to drive it. The old adage "People are your most important asset" is not exactly true. The right people are.

Therefore, I see my first challenge as cultivating Level 5 leadership in DCMA. I believe that potential Level 5 leaders exist

all around us if we just know what to look for, and that many people have the potential to evolve into Level 5 leaders.

It is my goal to take DCMA to the next level, all the while pursuing greatness. Our Human Capital Solutions Initiative is an important piece of getting the right people on the bus and getting them the right training to put them in the right seats. We are trying to ensure that we are growing the individuals who can become the Level 5 leaders the agency will require for the future.

Q

Can you describe how program managers can better leverage DCMA resources to keep programs on budget and within schedule constraints?

A

Developing solid lines of communications between program offices and DCMA offices is, without question, the most critical element of program support and success. While DCMA provides oversight of contractor processes, we are constrained as to the depth of that oversight by resources. Therefore, knowing what is important—those high-risk elements—in a program helps DCMA focus its limited resources on influencing contractors appropriately. Such knowledge and understanding come only from the program managers' having solid lines of communication between the program office and the appropriate DCMA offices.

For "cost plus" programs with earned value reporting requirements, DCMA provides an independent EAC [estimate at completion] to the program manager. DCMA's unique perspective allows adjustments to a specific contract's performance based on performance of the contractor across the company. That is a perspective program managers can get from no other source. They can use the information to take specific contract actions, giving a program a better chance of early intervention and avoidance of potential budget and schedule issues.

Q

I understand DCMA is establishing a supply chain management center of excellence. How does supply chain management tie in with contract administration in accordance with the Federal Acquisition Regulation (FAR)?

A

Well, first, I like to think of it as supply chain predictability as opposed to management. We're interested in exploiting our unique positioning with industry to provide the defense enterprise with predictive decision-quality information across the supply chain. I wouldn't call this supply chain management.

One of the key tenets of supply chain predictability is the ability of the system to capture key metrics from the lower functional levels of the business and pull them upward.

When we talk about key metrics in the supply chain arena, we must consider more than just functionally relevant indicators. That is, metrics like procurement, warehousing and inventory, design engineering, master production, etc., should not just be used to establish a performance plan. To be meaningful and allow visibility to the enterprise-level goals, the indicators must transgress their functional area and provide an unbiased view of attainment to plan at the corporate level. In other words, I do not reduce the per-item cost of tires by increasing tire-production volume beyond the number of cars in the master schedule. Supply chain metrics prevent a particular functional area from looking good at the expense of the enterprise.

Q

How does all this relate to DCMA and the FAR/Defense Federal Acquisition Regulation Supplement (DFARS)?

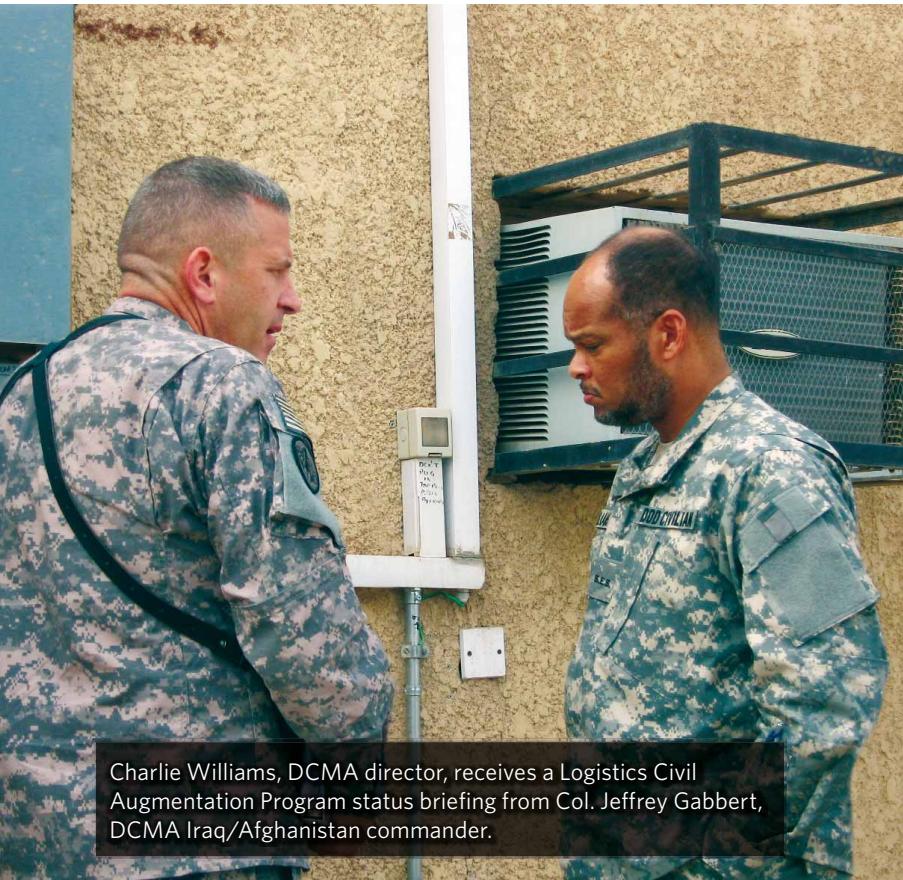
A

DCMA, as the federal entity responsible for contract management—and in particular, oversight within the constraints of cost, schedule, and technical requirements—relies heavily on the direction that comes from the FAR/DFARS. Several sections come immediately to mind, but let us discuss just two: FAR 42.302, "Contract Administration;" and DFARS 252.242-7004, "Material Management and Accounting System."

Specifically, FAR 42.302(a) (31) requires us to perform production support, surveillance, and status reporting, including timely reporting of potential and actual slippages in contract delivery schedules. Section 40 provides direction regarding performance of engineering surveillance to assess compliance with contractual terms for schedule, cost, and technical performance in the areas of design, development, and production. Section 41 requires an evaluation for adequacy and performance surveillance of contractor engineering efforts and management systems relating to design, development, production, engineering changes, subcontractors, tests, management of engineering resources, reliability and maintainability, data control systems, configuration management, and independent research and development.

FAR 42.11, "Production Surveillance and Report," requires "Government review and analysis of contractor performance plans, schedule, controls, and industrial processes; and the contractor's actual performance under them." FAR 42.1103 states, "The contractor is responsible for timely contract performance. The Government will maintain surveillance of contractor performance as necessary to protect its interests." DFARS subpart 242.11 requires surveillance, which must address risk. DFARS 252.242.7004 speaks to the requirements for the material management and accounting system. This section of the DFARS requires the supplier to maintain adequate internal controls to ensure system and data integrity, including documented policy, procedures, and operating instructions; forecast-

Those who are succeeding realize that their survival—today and tomorrow—depends upon establishing and executing strategic relationships with their folks up and down the supply chain, and by leveraging information technology.



Charlie Williams, DCMA director, receives a Logistics Civil Augmentation Program status briefing from Col. Jeffrey Gabbert, DCMA Iraq/Afghanistan commander.

ing of material requirements; bill of material accuracy (98 percent or greater); master schedule accuracy (95 percent or greater); and inventory accuracy (95 percent or greater).

Oversight of key systems and processes along with the collection of key performance metrics are part of an integrated surveillance strategy providing the DCMA customer with the predictive insights needed to understand the cost, schedule, and technical dynamics of product development.

Q
Another DCMA initiative is to integrate the principles of Lean Six Sigma (LSS) into your operational regimen to improve efficiency and effectiveness. How do you see this effort proceeding? What kinds of cultural changes are necessary within DCMA to facilitate this approach?

A
DCMA recently gave our Continuous Process Improvement Program Office a new focus and direction. The CPI Program Office will oversee and manage a system for capturing and documenting process performance improvements. This ensures DCMA has a disciplined management approach for improving processes and procedures to drive a consistent and verifiable process management program.

LSS is an essential tool for improving operational effectiveness and efficiency. The CPI Program Office will systemati-

cally determine which LSS projects best benefit the agency using performance process information. We will use LSS to produce stable and predictable results for application to DCMA's strategic priorities.

DCMA has been on the performance management road for several years, and employing LSS will not require a major cultural change. DCMA has many LSS projects in development. LSS project development adds one more tool as we continue our journey of performance management.

Q
Over the past few years, DCMA has been implementing a significant change in perspective to a customer-focused culture, becoming an organization that focuses on customer-desired outcomes. Have you observed, in your own experience, this shift in focus? How do you see it improving customer satisfaction in DCMA?

A
Our overarching performance management system aligns our vision, mission, and strategic plan with the requirements of the DoD acquisition enterprise and its partners. The customer-focused culture is another critical piece of our performance management development. DCMA has always been a champion of its customers. That cultural focus has given us stronger ties to our customers and provided clear roles and responsibilities, improving our customer engagement

at the program management and program executive office levels. The focus on customer-desired outcomes has led to a concentration on results and an alignment with the customers' goals and outcomes. We have seen that the increased emphasis on this alignment has resulted in an even better understanding of supplier processes and adjustments to our strategies to influence changes in suppliers' performance.

Our next step in performance management will integrate our strategic planning and performance-management assessment functions. This integration will result in consistent, verifiable processes and establish controls to support our DoD acquisition enterprise and its partners. As we discussed, this may lead to LSS projects, information technology business process re-engineering projects, or increased customer focus. The overall outcome will be better DCMA performance.

Q *You have a number of agency people deployed. Over the past few years, the need for volunteer civilian personnel performing contracting, quality assurance, and other duties in-theater has grown, and demand is likely to continue. DCMA provided another 100 volunteers at the end of 2007 to support missions in Iraq and Afghanistan. Would you talk about the support those civilian volunteers provide? How do you recruit for such positions? How do you manage the workload left behind by these volunteers when they deploy? Is it possible to integrate these growing theater responsibilities into your normal mission routine?*

A Our DCMA civilian volunteers stepped up in the time of need and have performed superbly. Civilians represent more than half of our deployed workforce, and we could not accomplish our mission without them. Their willingness to deploy allowed our agency time to grow and leverage our Emergency and Essential (EE) Program—a pool of acquisition professionals hired specifically to support DCMA's contingency contract administration mission.

Last fall, the agency implemented a robust public affairs campaign and a strategic communications plan to articulate our urgent need for volunteers to meet a rapidly increasing workload in Iraq, Afghanistan, and Kuwait. The agency established a Web-based volunteer application process that allows any agency employee to submit an application to deploy.

Recruiting for EE positions is a little different. We globally advertised for specific skills and positions we competitively awarded based upon qualifications and experience. EE employees enter a three-year program with the understanding they will deploy a minimum of 365 days during the program. In both approaches, we maximized the Office of Personnel Management recruiting incentives and other initiatives to compensate personnel willing to deploy. Our

Charlie E. Williams Jr.

Director, Defense Contract Management Agency

Charlie Williams was appointed as Defense Contract Management Agency's new director by John J. Young Jr., under secretary of defense for acquisition, technology and logistics, on May 4, 2008.

Prior to assuming his new duties, Williams was the deputy assistant secretary of the Air Force for contracting in the Office of the Assistant Secretary of the Air Force for Acquisition; and the U.S. member of the North Atlantic Treaty Organization's Airborne Early Warning and Control Programme Board of Directors. Williams served as the associate deputy assistant director for contracting in the Office of the Assistant Secretary of the Air Force from March 2002 to 2003. He has also served as the team lead, program executive officer, and designated acquisition commander programs for the deputy assistant secretary for contracting, Office of the Assistant Secretary of the Air Force for Acquisition.



Williams entered federal service in 1982 through the Air Force Logistics Command's Mid-Level Management Training Program, Kelly Air Force Base, Texas. Upon graduation, he served as senior buyer and contracting officer for F100 and TF39 engines at Kelly. From 1984 to 1987, Williams was a procurement analyst in the Resources and Analysis Division of the Headquarters Air Force Logistics Command, Wright-Patterson Air Force Base, Ohio.

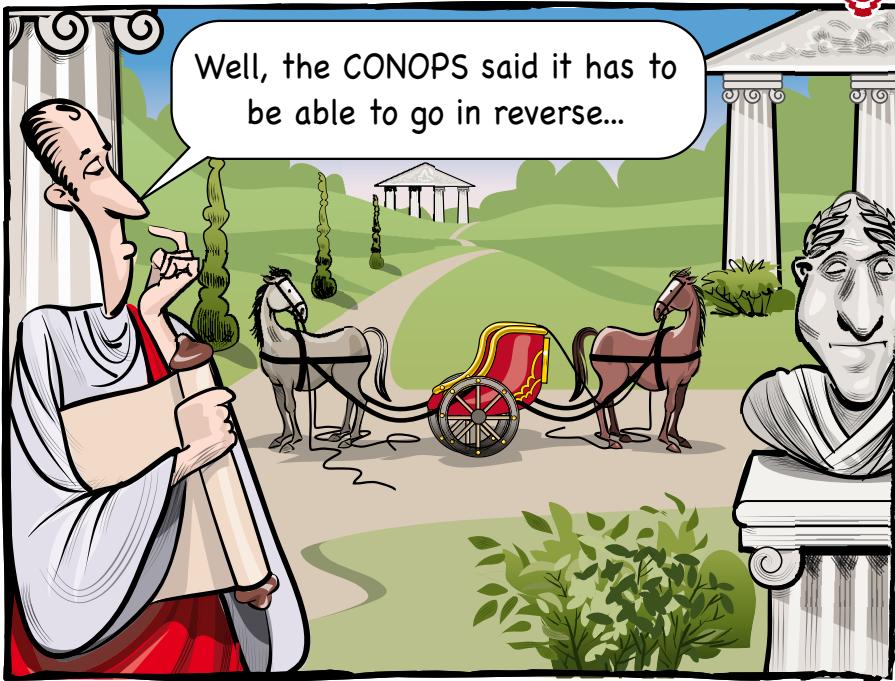
Williams participated in the Air Force's prestigious Education with Industry program for a year, working at GE's Aircraft Engines Division, Cincinnati, Ohio, from June 1987 until July 1988. Following this year of duty in the private sector, he became the director of business strategy in the Acquisition Logistics Division at Wright-Patterson.

Williams is a member of the Defense Acquisition Corps and is Level II certified in systems acquisition. He holds a bachelor's degree from Middle Tennessee State University, and a master's degree from Tennessee State University. He is also a 1996 graduate of the Industrial College of the Armed Forces, where he earned a second master's degree.

His awards and recognitions include a special service award, the Meritorious Civilian Service Award, the Exceptional Civilian Service Award, and the Meritorious Executive Presidential Rank Award.

By Dan Ward, Chris Quaid, Gabe Mounce, and Jim Elmore

GREAT MOMENTS IN ACQUISITION HISTORY



100 BC: Roman chariot technologists discover the importance of writing good requirements.

pool of talent has certainly grown, but we will continue to recruit volunteers and EEs to ensure we can meet the demands of tomorrow.

There has been a definite impact to our acquisition life cycle management mission. The unsung heroes are the dedicated professionals who developed innovative approaches to mitigate risk and maintain effective contract management support in a resource-constrained environment. Our product divisions continually meet in "war room" sessions to develop enterprise solutions, cross-leveling and managing resources across geographic and programmatic boundaries. The agency employs a structured approach to balancing the most critical workload, whereby the agency's contract management offices identify resource capacities and determine the gaps and associated impact, and develop creative resourcing solutions to close those gaps.

Iraq, Afghanistan, and Kuwait remain contingency environments, so we will continue to resource our mission with military and civilians performing 179-day assignments. If, at some point, the department declares those locations are no longer contingency environments, we will likely absorb the mission into our DCMA International Office, which provides worldwide contract administration support.

Q

To meet urgent needs, the Department of Defense can issue undefinitized contract actions (UCA), which authorize contractors to begin work before reaching a final agreement on contract terms. Can you explain how UCAs differ from traditional contracting methods, and when they are used? What benefit might they offer, and what problems might they pose?

A

UCAs are a valuable tool for meeting urgent contract requirements. However, they are not a desirable form of contracting because the government bears the majority of the cost and risk during the undefinitized period. In addition, the govern-

ment risks paying increased costs because contractors have little incentive to control costs before definitization. For these and other reasons, the department is working to ensure we use UCAs appropriately and with sufficient management oversight to mitigate the increased risks.

Q

Getting the correct people in the correct positions is of paramount importance, especially with the looming specter of a workforce shortage as a result of impending retirements. Given that, it is not surprising that you have made human capital one of your top priorities. How are you designing a system that hires and keeps the right people?

A

Obviously, in any organization, employees are fundamental to accomplishing the mission. At DCMA, we realize that to sustain a "best-in-class" workforce for the future, we need to look at not only the programs offered to our employees, but also what kind of a culture is needed to foster an employee-friendly environment.

Our human capital staff members have been diligently working on creating an updated Strategic Human Capital Plan focused on creating a vision for our workforce of the future. We are focusing on identifying our true brand identity and

employment value proposition at DCMA. Working with the Office of Personnel and Management and some support contractors, DCMA plans to unveil a new recruitment and branding solution, complete with a more user-friendly, robust recruiting Web page, as we look to attract employees at all skill levels, from interns to seasoned, highly experienced professionals.

Our human capital efforts have also focused on building and managing an acquisition workforce that can meet current and future needs. We must take maximum advantage of new programs such as the Acquisition Workforce Development Fund initiative, which gives us a means to increase hiring for interns and advanced journeymen; and use recruiting, relocation, and retention incentives to help us attract and retain critical skills across the enterprise. The Human Capital Division is helping our leaders utilize all of those flexibilities available to attract high-quality employees to DCMA. We are becoming a competency-based organization, using competency models within our critical occupational series to identify competency gaps and determine remediation strategies to close those gaps as we prepare our workforce for the future.

Last, but not least, included within our human resources strategy will be an agency diversity and inclusion strategy. As we grow our workforce, we will do so with an appreciation of the nation's diversity to ensure we take advantage of the talent the nation has to offer.

Q *DoD created the Acquisition Workforce Development Fund (Section 852 of the National Defense Authorization Act for fiscal year 2008) to reconcile some of the imbalances in the current workforce. Can you describe how DCMA will use these funds to attract and retain the right workforce?*

While we will use the workforce development funds for training and incentives, the bulk of the funds will be used for re-growing the workforce.

DCMA assessed the current skills and competencies possessed by the agency as well as future requirements identified by our customers to determine the agency's personnel shortfalls. In addition, we projected our personnel losses to include retirements, given that the average age of the DCMA employee is 52. Using the funds provided by the Acquisition Workforce Development Fund, DCMA will seek to hire interns and journeymen. We announce positions through USAJOBS, participate in career and job fairs on college campuses and with industry-specific organizations, and recruit at military transition centers. We have also recently collaborated with the Federal Acquisition Intern Coalition to improve the hiring process of 1102s by streamlining job announcements, rewriting the Administrative Careers with America examination to focus on competencies, and using an interactive Web site to solicit applications. The first job

announcement yielded more than 4,000 applications, and DCMA is working closely with the coalition to select as many as 300 individuals from the candidate list.

One of the critical skills areas we will focus on is pricing. We need to help the department reestablish critical cost-pricing skills that have atrophied over the years. To the extent that DCMA can help contracting officers in pre-award negotiations, we want to do so.

Q *DCMA headquarters will experience a major geographical change as a result of a 2005 Base Realignment and Closure decision to relocate your organization from Fort Belvoir, Va., to Fort Lee, Va. How are you working to ensure a smooth turnover and continuation of operations? What are some of the biggest challenges associated with this kind of major change?*

A The upcoming BRAC move is not just the physical relocation of an organization. It also represents a significant personal event for the workforce and families that will elect to relocate to Fort Lee, as well as those that elect to stay behind. We must ensure we remain cognizant of the impact that BRAC will have on everyone affected. This presents a tremendous challenge, given we must also maintain our continuity of operations during this transition period.

As an agency, we must decide what the appropriate organization structure and alignment will be for the agency elements moving to Fort Lee. That will largely drive the human capital and transition strategies that should ensure we have the right people, skills, and capabilities to maintain operations. Our BRAC transition plan is nearing completion, and it will guide us through the transition period.

We do anticipate that a significant portion of our workforce will choose not to move. The current economic climate related to housing will have an impact, as will our communication strategy aimed at ensuring employees understand the many positive opportunities the move will present. We are doing everything we can to encourage employees to relocate and are beginning to recruit the right skills now for Fort Lee.

We will continue to use seminars, all hands sessions, brown bag lunches, and other means to help our people make informed decisions. We will also have information sessions and a continuous dialogue with representatives from Fort Lee, the Petersburg and Richmond local communities, local housing, and medical and education institutions. Our employees are critical to the success of this move, and we are committed to them as we begin this transition.

Q *Mr. Williams, we thank you for your time.*